

BARTON TOWNSHIP
NEWAYGO COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BARTON TOWNSHIP	County NEWAYGO
Audit Date 3-31-2004	Opinion Date 7-29-2004	Date Accountant Report Submitted to State: 8-13-2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.			
Street Address 211 MAPLE STREET	City BIG RAPIDS	State MI	ZIP 49307
Accountant Signature <i>Terry D Kirkpatrick CPA</i>		Date 8-3-04	

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Independent Auditor's Report

July 20, 2004

To the Honorable Supervisor and Members of Barton
Township Board, Newaygo County, Michigan:

We have audited the accompanying general purpose financial statements of Barton Township, Newaygo County, Michigan as of and for the year ended March 31, 2004 as listed on the contents page. These general purpose financial statements are the responsibility of the management of Barton Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balance at April 1, 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of beginning fund balance, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Barton as of March 31, 2004 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary financial data as listed on the contents page is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Barton, Newaygo County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Terry Kirkpatrick, CPA, P.C.

Barton Township – Newaygo County, Michigan
Combined Balance Sheet – All Fund Types and Account Groups
March 31, 2004

	<u>Governmental</u> <u>Fund Type</u>		<u>Fiduciary</u> <u>Funds</u>	<u>Account</u> <u>Group</u>	<u>Totals</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Agency</u>	<u>General</u> <u>Fixed Assets</u>	<u>(Memorandum</u> <u>Only)</u>
ASSETS					
Cash in Bank	\$ 163,428	\$ 42,606	\$ (537)	\$ 0	\$ 205,497
Taxes Receivable - Delinquent - Personal	0	0	537	0	537
Due from Newaygo County	1,277	4,004	0	0	5,281
Land	0	0	0	10,370	10,370
Equipment	0	0	0	113,493	113,493
Total assets	<u>\$ 164,705</u>	<u>\$ 46,610</u>	<u>\$ 0</u>	<u>\$ 123,863</u>	<u>\$ 335,178</u>
LIABILITIES AND FUND EQUITY					
Payroll Taxes Payable	\$ 210	\$ 0	\$ 0	\$ 0	\$ 210
Investment in General Fixed Assets	0	0	0	123,863	123,863
Fund Balance	164,495	46,610	0	0	211,105
Total liabilities and fund balance	<u>\$ 164,705</u>	<u>\$ 46,610</u>	<u>\$ 0</u>	<u>\$ 123,863</u>	<u>\$ 335,178</u>

The "Notes to Financial Statements" are an integral part of these statements.

Barton Township – Newaygo County, Michigan

Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types
For the Year Ended March 31, 2004

	<u>General Fund</u>	<u>Road Fund</u>	Totals (Memorandum Only)
REVENUES			
Taxes	\$ 14,651	\$ 40,902	\$ 55,553
Licenses and permits	2,543	0	2,543
State Grants	63,444	0	63,444
Charges for Services	2,055	0	2,055
Interest and Rents	2,393	0	2,393
Other Revenue	9,624	0	9,624
Total revenues	<u>94,710</u>	<u>40,902</u>	<u>135,612</u>
EXPENDITURES			
Legislative	2,595	0	2,595
General Government	34,472	0	34,472
Public Safety	18,356	0	18,356
Public Works	18,270	0	18,270
Recreation and Cultural	8,135	0	8,135
Other Functions	6,454	0	6,454
Total expenditures	<u>88,282</u>	<u>0</u>	<u>88,282</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,428	40,902	47,330
FUND BALANCE - April 1, 2003	158,067	5,708	163,775
FUND BALANCE - March 31, 2004	<u>\$ 164,495</u>	<u>\$ 46,610</u>	<u>\$ 211,105</u>

The "Notes to Financial Statements" are an integral part of these statements.

Barton Township – Newaygo County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 13,500	\$ 14,651	\$ 1,151
Licenses and permits	150	2,543	2,393
State Grants	65,000	63,444	(1,556)
Charges for Services	4,450	2,055	(2,395)
Interest and Rents	1,200	2,393	1,193
Other Revenue	11,725	9,624	(2,101)
Total revenues	96,025	94,710	(1,315)
EXPENDITURES			
Legislative			
Township board	6,846	2,595	4,251
General Government			
Supervisor	5,514	5,247	267
Elections	1,000	534	466
Assessor	15,000	6,028	8,972
Clerk	7,059	6,619	440
Board of review	2,500	813	1,687
Treasurer	8,121	7,473	648
Building and grounds	4,000	3,258	742
Cemetery	5,700	4,500	1,200
Total general government	48,894	34,472	14,422
Public Safety			
Fire fighting	14,750	14,387	363
Building and electrical inspector	3,500	1,998	1,502
Planning and zoning	3,500	1,971	1,529
Total public safety	21,750	18,356	3,394
Public Works			
Highways, streets and bridges	80,000	18,270	61,730
Recreation and Cultural			
Parks and recreation	11,225	8,135	3,090
Other Functions			
Insurance and bonds	4,043	4,043	0
Retirement	0	2,411	(2,411)
Total other functions	4,043	6,454	(2,411)
Total expenditures	172,758	88,282	84,476

Barton Township – Newaygo County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Continued
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,733)	6,428	83,161
FUND BALANCE - April 1, 2003	158,067	158,067	0
FUND BALANCE - March 31, 2004	<u>\$ 81,334</u>	<u>\$ 164,495</u>	<u>\$ 83,161</u>

The "Notes to Financial Statements" are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Barton Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of Presentation

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded in those funds.

The financial activities of Barton Township are recorded in separate funds and account groups categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general local unit governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the local unit.

Special Revenue Funds

These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust; (c) Pension Trust Fund; and (d) Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group

This Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

Fixed assets used in the general operation of the Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

Basis of Accounting

The accrual basis of accounting is used by the Proprietary Funds, Pension Trust Funds, and Nonexpendable Trust Funds. The modified-accrual basis of accounting is used by all Governmental Funds, Agency Funds and Expendable Trust Funds. Revenue and all other sources are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

- a. Property tax revenue should be recognized in accordance with MCGAA Statement 3:

Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

- b. Interest income on special assessments receivable is not accrued until its due date.
- c. Interest expense on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- d. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Current Taxes

The Barton Township property tax is levied on each December 1st on the State taxable valuation of property located in Barton Township as of the preceding December 31st.

Although the Barton Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is Barton Township's policy to recognize revenue from the current tax levy.

The 2003 State equalized valuation of Barton Township totaled \$14,683,000, on which ad valorem taxes levied consisted of .8884 mills for Barton Township operating purposes and 2.7855 for roads. These amounts are recognized in the General Fund and Special Revenue (Road) Fund.

Budgetary Data

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. At the board meeting in March, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Budget and appropriations lapse at year-end except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement-length basis.

Total Column on Combined Statements – Overview

The total column on the Combined Statements is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

NOTE B – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets and Liabilities

- Schedule of Changes in General Fixed Assets

	Balance 4/1/2003	Additions	Deletions	Balance 3/31/2004
Land	\$ 10,370	\$ 0	\$ 0	\$ 10,370
Equipment	113,493	0	0	113,493
Total	<u>\$ 123,863</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123,863</u>

NOTE C – BALANCE SHEET – CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of Barton Township. Michigan Compiled Laws, Section 129.91, authorizes Barton Township to deposit and invest in the accounts of Federally-insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency banks; commercial paper rated with the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General’s Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan, unless the out-of-state bank has a branch located in Michigan. The Barton Township deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Bank Balance</u>
	<u>Primary Government</u>
<u>Deposits</u>	
Insured (FDIC)	\$ 100,000
Uninsured	105,591
Total deposits	<u>\$ 205,591</u>

At year end, the balance sheet carrying amount of deposits was \$205,497.

Barton Township – Newaygo County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE D – RISK FINANCING

Barton Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; liability; and natural disasters. These risks are covered by insurance purchased from third parties. Settled claims for these risks have not exceeded insurance coverage for the past two years.

SUPPLEMENTARY FINANCIAL DATA

Barton Township – Newaygo County, Michigan

General Fund

Detail Schedule of Actual Expenditures

For the Year Ended March 31, 2004

LEGISLATIVE

Township Board	
Salaries and wages	\$ 1,742
Travel	270
Memberships and dues	583
Total legislative	<u>\$ 2,595</u>

GENERAL GOVERNMENT

Supervisor	
Salaries and wages	\$ 5,068
Travel	179
Total supervisor	<u>5,247</u>

Elections	
Travel	62
Miscellaneous	472
Total elections	<u>534</u>

Assessor	
Contracted services	3,067
Office supplies	1,814
Miscellaneous	1,147
Total assessor	<u>6,028</u>

Clerk	
Salaries and wages	6,156
Office supplies	302
Travel	43
Miscellaneous	118
Total clerk	<u>6,619</u>

Board of Review	
Salaries and wages	750
Miscellaneous	63
Total board of review	<u>813</u>

Treasurer	
Salaries and wages	5,550
Office supplies	724
Contracted services	1,103
Miscellaneous	96
Total treasurer	<u>7,473</u>

Barton Township – Newaygo County, Michigan

General Fund

Detail Schedule of Actual Expenditures - Continued

For the Year Ended March 31, 2004

Building and Grounds	
Salaries and wages	300
Operating supplies	265
Contracted services	260
Utilities	1,415
Miscellaneous	1,018
Total building and grounds	<u>3,258</u>

Cemetery	
Salaries and wages	3,840
Operating supplies	60
Contracted services	600
Total cemetery	<u>4,500</u>
Total general government	<u>\$ 34,472</u>

PUBLIC SAFETY

Fire Fighting	
Contracted services	\$ 14,387
Building & Electrical Inspector	
Salaries and wages	1,817
Office supplies	77
Mileage and travel	104
Total building & electrical inspector	<u>1,998</u>
Planning and Zoning	
Salaries and wages	1,805
Miscellaneous	166
Total planning and zoning	<u>1,971</u>
Total public safety	<u>\$ 18,356</u>

PUBLIC WORKS

Highways, Streets and Bridges	
Contracted services	<u>\$ 18,270</u>

RECREATION AND CULTURAL

Parks and Recreation	
Salaries and wages	\$ 1,456
Supplies	666
Utilities	1,598
Miscellaneous	2,515
Insurance	1,900
Total recreation and cultural	<u>\$ 8,135</u>

Barton Township – Newaygo County, Michigan
General Fund
Detail Schedule of Actual Expenditures - Continued
For the Year Ended March 31, 2004

OTHER FUNCTIONS

Insurance and Bonds	
Insurance and bonds	\$ 4,043
Retirement	
Local unit's share social security tax	<u>2,411</u>
Total other functions	<u>\$ 6,454</u>

Barton Township – Newaygo County, Michigan

Current Tax Fund

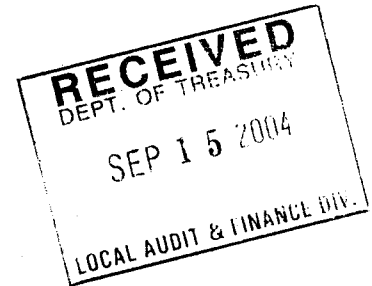
Statement of 2003 Tax Levy – Receipts and Disbursements

For the Year Ended March 31, 2004

	<u>Rate in Mills</u>	<u>Taxable Valuation</u>	<u>2003 Tax Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Total Tax Collected</u>
Newaygo County	7.0684	\$ 14,683,000	\$ 103,789	\$ 10,160	\$ 93,629
Mecosta-Osceola ISD	4.1080	9,893,000	40,628	4,219	36,409
Big Rapids Schools - Debt	7.0000	550,000	3,877	73	3,804
- Operations	18.0000	226,000	4,069	188	3,881
Big Jackson School - Building	2.8466	4,790,000	13,645	1,168	12,477
- Operations	16.2958	1,950,000	31,772	2,694	29,078
Reed City Schools - Debt	2.1000	9,343,000	19,607	2,135	17,472
- Operations	18.0000	2,230,000	40,131	2,273	37,858
Newaygo ISD	5.7541	4,790,000	27,581	2,362	25,219
Barton Township - General	0.8884	14,683,000	13,043	1,277	11,766
- Roads	2.7855	14,683,000	40,902	4,004	36,898
State Education Tax	5.0000	14,683,000	73,412	4,614	68,798
			<u>\$ 412,456</u>	<u>\$ 35,167</u>	<u>\$ 377,289</u>
Receipts					
Total taxes collected					\$ 377,289
Special Assessments and collection fees					221
Interest earned					67
Total receipts					<u>\$ 377,577</u>
Disbursements					
Mecosta County (Including SET)					\$ 162,612
Mecosta-Osceola ISD					36,192
Big Rapids Schools					6,415
Barton Township					48,766
Big Jackson School					41,555
Reed City Schools					54,507
Newaygo ISD					25,220
Total disbursements					<u>\$ 375,267</u>

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July 20, 2004

Members of the Barton Township Board
Barton Township
Newaygo County, MI

We recently completed our audit of the general purpose financial statements of Barton Township for the year ended March 31, 2004. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Barton Township. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

CLERK'S BOOKS IN GOOD SHAPE

The Township Clerk did a good job implementing the State mandated method of book keeping since the last audit. Keep up the good work.

ASSESSOR PAYMENTS

The assessor receives a monthly check which also appears to include \$108 for mileage and \$100 for office supplies. This is what is known as an unaccountable method of expense reimbursement. When you have that type in place, then this \$208 payment per month should also be included in the assessor's Form W-2 at the end of the year.

The other option (and probably the more proper method) is for the assessor to turn in a more detailed account of the mileage driven on Township business for the month, and also turn in the receipts for the purchase of the office supplies. Then the Township would reimburse the assessor for the actual expenses and would not include it in the assessor's Form W-2.

SEPARATE BANK ACCOUNT FOR ROAD FUND

The Township Treasurer should open a new bank account for the Road Fund. The balance in the Road Fund at March 31, 2004, was \$42,606.16, which was included in a bank account with the General Fund. Since all of the Road millage has not been completely spent, it is necessary that this millage be kept separate from the General Fund. This Road millage may be spent for nothing more than what the elector's approved on the election ballot.

INVOICE FILING METHOD

We suggest that the Clerk file paid invoices in numerical order by check number used to pay the invoice. Under the current method it is very difficult to locate any particular invoice.

OTHER MATTERS

We have enjoyed working with your staff. Their competence and assistance were instrumental in our timely completion of the audit.

Two copies of the audit report, the auditing procedures report, and this letter should be mailed to the Michigan Department of Treasury, Local Audit Division. A pre-addressed envelope is being provided for your convenience.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

Jerry Kufelt, CPA, P.C.